

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-12 NEA-10 ISO-00 A-01 IO-14 H-02 L-03

PA-02 ICA-20 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-10 NSAE-00 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01

OMB-01 NSC-05 SS-15 STR-07 CEA-01 HA-05 OES-09

HUD-02 HEW-06 DOE-15 SOE-02 /174 W

-----110241 121817Z /44

R 120943Z JUL 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8340

INFO AMEMBASSY BANGKOK

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY NEW DELHI

UNCLAS SECTION 01 OF 02 MANILA 11712

PASS TREASURY FOR NACHMANOFF

JOINT USADB/EMBASSY MESSAGE

E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: HAC STAFF VISIT TO PHILIPPINES

1. SUMMARY. HOUSE APPROPRIATIONS COMMITTEE (HAC) STAFF TWO-WEEK VISIT (JUNE 25-JULY 8) TO ADB AND IBRD PROJECT SITES AND DISCUSSIONS AT ADB HEADQUARTERS CONSIDERED BY BOTH HAC TEAM AND USADB/EMBASSY OFFICERS TO BE SUCCESSFUL. HAC TEAM WAS COMPOSED OF FIVE INDIVIDUALS OF WHOM TWO REVIEWED IBRD FINANCED PROJECTS IN MANILA AREA DURING THE FIRST WEEK WHILE THE OTHER THREE HELD DISCUSSIONS AT ADB. DURING THE SECOND WEEK TWO REVIEWED ADB FINANCED PROJECTS IN MINDANAO WHILE REMAINING TWO (ONE INDIVIDUAL LEFT AS SCHEDULED AFTER FIRST WEEK) CONTINUED DISCUSSIONS AT ADB.

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HAC TEAM EXPRESSED GREAT SATISFACTION WITH COOPERATION RECEIVED FROM ADB AND GOP OFFICIALS IN MANILA AS WELL AS IN THE FIELD. TEAM MEMBERS DID NOT DISCUSS CONCLUSIONS, BUT APPEARED TO BE FAVORABLY IMPRESSED WITH THE QUALITY OF PHILIPPINE PROJECTS AND THE MANNER IN WHICH THEY ARE BEING IMPLEMENTED. END SUMMARY.

2. ADB HEADQUARTERS. DISCUSSIONS AT ADB WERE INITIATED BY A VISIT WITH ADB PRESIDENT YOSHIDA AND OPERATIONS VICE PRESIDENT BAMBAWALE WHO SET THE TONE FOR HAC VISIT BY ASSURING FULL COOPERATION OF THE BANK. MAJOR AREAS OF DISCUSSIONS WITH ADB INCLUDED, INTER ALIA, PROJECT POST EVALUATION, PROJECT PERFORMANCE AUDIT, CONSULTANT SELECTION, COMPETITIVE BIDDING PROCEDURES, INTERNAL AUDIT, ADB CONTROLLER PROCEDURES, PROJECT SUPERVISION, LOAN ADMINISTRATION, BANK ACCOUNTABILITY, DOCUMENTS CLASSIFICATION POLICIES AND PROCEDURES, ADMINISTRATIVE BUDGET AND COST CONTROL PROCEDURES AND PERSONNEL SALARY STRUCTURE. TEAM ALSO SPENT TIME WITH REPRESENTATIVES OF AMERICAN STAFF AND VP KATZ ON U.S. TAX ISSUE AND BANK'S CONCERN ABOUT MAINTAINING COMPETENT US SENIOR STAFF AT THE BANK.

3. SENIOR ADB MANAGEMENT PROVIDED CANDID AND COMPLETE RESPONSE TO INTENSIVE QUESTIONING BY HAC STAFF. HAC TEAM WAS PROVIDED WITH ALL DOCUMENTATION THEY REQUESTED AND FOR THEIR PART EXPRESSED GREAT APPRECIATION FOR THE COOPERATIVE SPIRIT AND OPENNESS THAT MARKED THEIR RELATIONS WITH ADB MANAGEMENT AND STAFF. ON SUBSTANTIVE LEVEL HAC FELT THAT ON THE WHOLE THE ADB WAS DOING A GOOD JOB. HAC STAFF DID COMMENT THAT SOME OF THE INTERNAL AUDIT FUNCTIONS AND LOAN SUPERVISION MECHANISM APPEARED SOMEWHAT WEAK BUT RECOGNIZED THAT RECENT ADB INITIATED IMPROVEMENTS SHOULD HELP REMEDY SOME OF THOSE SHORTCOMINGS.

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4. ON FINAL DAY OF VISIT HAC TEAM MET SEPARATELY WITH VICE PRESIDENT KATZ, U.S. EXECUTIVE DIRECTOR EDMOND, PRESIDENT YOSHIDA AND AMBASSADOR MURPHY FOR WRAP-UP DISCUSSIONS. AMBASSADOR EDMOND IN HIS MEETING WITH HAC STAFF STRESSED THE IMPORTANT ROLE THAT THE ADB PLAYS IN SUPPORTING U.S. FOREIGN AND ECONOMIC POLICY OBJECTIVES. HE ALSO NOTED THAT THE ADB HAS BEEN DIRECTING AN INCREASING PORTION IN ITS LENDING ACTIVITIES TOWARDS THOSE PROJECTS THAT MEET BASIC HUMAN NEEDS. HAC TEAM WORKED HARD AND LEFT ACCURATE IMPRESSION WITH ADB MANAGEMENT THAT THEY WERE ON A SUBSTANTIVE FACT-FINDING MISSION.

5. PROJECT VISITS. HAC STAFFERS HAD A WIDE-RANGING DISCUSSION WITH DR. PLACIDO MAPA, CHAIRMAN OF THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP), FOR THE PURPOSE OF GAINING HIS BROAD PERSPECTIVE ON IFI/GOP RELATIONS. MAPA HAS IN THE PAST BEEN ASSIGNED TO PHILIPPINE ED OFFICE AT IBRD, SO HAS SOME APPRECIATION OF THE SUBJECT FROM BOTH ANGLES. IN MAPA'S OPINION, PRESENT RELATIONSHIP BETWEEN THE IFIS AND THE GOP IS HEALTHY AND PRODUCTIVE. THIS WAS NOT ALWAYS TRUE, HE SAID, PRIMARILY BECAUSE OF MISUNDER-

STANDINGS ON THE PART OF IBRD STAFFERS, AND BECAUSE THE PHILIPPINES DID NOT PREVIOUSLY HAVE DIRECT REPRESENTATION AT THE IBRD. AS FAR AS THE DBP IS CONCERNED, MAPA SAID IFI MISSIONS MAKE FREQUENT AND USEFUL VISITS, AND THAT AGREED GUIDELINES WITH THE IFIS ARE EFFECTIVE MANAGEMENT TOOLS. (NOTE: ALTHOUGH U.S. EDS HAVE TWICE ABSTAINED ON DBP LOANS -- DOLLARS 35 MILLION FROM THE ADB AND DOLLARS 80 MILLION FROM THE IBRD -- MAPA MADE NO MENTION OF THIS OR OF HUMAN RIGHTS.)

6. THE TEAM EXAMINED IBRD ASSISTANCE TO FAMILY PLANNING IN SOME DEPTH, FOLLOWING UP INTERVIEWS IN MANILA WITH A

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PASS TREASURY FOR NACHMANOFF

JOINT USADB/EMBASSY MESSAGE

VISIT TO THE DAVAO REGIONAL OFFICE DURING THE MINDANAO TRIP. ALTHOUGH CONCERNED ABOUT SOME LACK OF POLICY AND OPERATIONAL COORDINATION BETWEEN THE POPULATION COMMISSION AND THE DEPARTMENT OF HEALTH, THEY APPEARED TO BE IMPRESSED WITH THE OVERALL GAINS OF THE PROGRAM AND THE DETERMINATION TO EXTEND IT OUTWARD FROM THE POPULATION CENTERS.

7. OFFICIALS OF THE PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES PROVIDED A COMPLETE BRIEFING ON THEIR OPERATIONS AND USE OF IBRD FUNDS FOR SUB-LENDING. LATER VISITS TO A LARGE SUB-BORROWER IN MANILA AND SMALL-SCALE BORROWERS IN DAVAO GAVE CONCRETE FORM TO PDCP ACCOMPLISHMENTS AND PROBLEMS. PDCP OFFICERS ASSURED HAC STAFFERS

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THAT IFI FUNDING CONTINUED TO BE A CRUCIAL PART OF THE CAPITAL FORMATION PROCESS FOR THE ORGANIZATION.

8. HAC STAFF SPENT A FULL DAY LOOKING INTO THE MANILA URBAN DEVELOPMENT PROJECT, FOLLOWING BRIEFINGS WITH VISITS TO THE PROJECT AREAS. THE CONTRAST BETWEEN COMPLETED PROJECT AREAS, WHERE SITES AND SERVICES AND RELATIVE SECURITY OF TENURE HAVE APPARENTLY ENCOURAGED SPONTANEOUS UPGRADING OF PRIVATE PROPERTY, AND THE AS YET UNTOUCHED AND FETID SLUMS IS FAIRLY DRAMATIC AND IMPRESSIVE. THE GOP PROJECT MANAGERS ARE COMPETENT AND ARE FAIRLY CONFIDENT THAT THIS COMPLEX PROJECT WILL BE A SUCCESS.

9. IN MINDANAO, THE NATIONAL POWER CORPORATION BRIEFED TEAM MEMBERS ON THE SERIES OF HYDROELECTRIC PROJECTS ALONG THE AGUS RIVER, MANY OF WHICH ARE TO BE ADB-ASSISTED AND ON PLANS FOR THE ENTIRE MINDANAO GRID. AFTER A HELICOPTER TOUR DOWN THE LENGTH OF THE AGUS FROM ITS SOURCE AT LAKE LANAO TO THE SEA, INCLUDING AGUS II NOW UNDER CONSTRUCTION, THE TEAM VISITED THE ONLY COMPLETED PROJECT, AGUS VI.

10. IN THE PROVINCE OF DAVAO DEL NORTE, THE STAFF SPENT A FULL DAY INSPECTING TWO IRRIGATION PROJECTS FINANCED BY ADB. THESE PROJECTS INVOLVE NOT ONLY IRRIGATING PRESENT RICE LAND, BUT BRINGING NEW LAND INTO CULTIVATION, DRAINING MARSHLAND, PROVIDING SOURCES OF FRESH WATER, AND CONTROL OF SCHISTOSOMIASIS, THE INCIDENCE OF WHICH HAS UNFORTUNATELY INCREASED WITH INCREASING IRRIGATION. THE PROJECTS APPEAR TO BE SUCCESSFUL IF A BIT BEHIND SCHEDULE.

11. STAFF MEMBERS DID NOT DISCUSS BEFORE DEPARTURE ANY CONCLUSIONS THEY MIGHT HAVE REACHED ON AREAS OF SPECIFIC

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INTEREST; E.G., EXTENT TO WHICH PROJECTS REACH THE POOREST OF THE POOR, OUR IMPRESSION, HOWEVER, IS THAT THE STAFF WAS IN GENERAL FAVORABLY IMPRESSED WITH THE QUALITY

OF THE PHILIPPINE PROJECTS AND THE MANNER IN WHICH THEY
ARE BEING IMPLEMENTED. MURPHY

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